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Sharp Response Planned by U.S. On Settlements

The Reagan administration's sharp criticism of Israel's decision to build still more Jewish settlements in the occupied West Bank reflects longstanding White House dissatisfaction with Prime Minister Menachem Begin's intransigence on the issue.

In fact, the administration has been weighing a response that would be far more drastic than official comments of "most unwelcome" and "not helpful." Specifically, the president's advisers are considering putting restrictions on the use of U.S. economic aid to Israel.

One idea would be to deduct the cost of the settlements, estimated at \$200 million to \$400 million a year, from the \$785 million in U.S. non-military aid to Israel, or at least putting the money in escrow until Begin or a successor agrees to sit down for discussions on West Bank autonomy.

This won't happen tomorrow or next week, but it may well come eventually if Begin persists in his stubborn rejection of President Reagan's Mideast peace plan, which is based on a Palestinian confederation with Jordan, not Israel.

How realistic is it to expect Begin to cave in to an attack on his pocketbook? The National Security Council is pondering reports from the CIA and other intelligence-gathering agencies to determine the answer to that question.

A secret State Department assessment, for example, states that Israeli leaders are "without illusions" as to Israel's considerable dependence on the American taxpayers' continued generosity. While Begin and others repeatedly emphasize that their decisions are based on Israel's national interests, they remain "deeply aware of the constraints on its political options" arising from this dependence.

According to a secret CIA document reviewed by my associate Dale Van Atta, "Israel is dependent upon the good will of the U.S. for the financial resources that support Israel's economy and, at least indirectly, the establishment of the settlements, both through the tax-free contributions of American Jewry and the official assistance the U.S. provides."

Even if American funds are not used directly for the West Bank settlements, "these funds enable Israel to divert its own resources to settlement projects," the CIA points out.

Within Israel, not everyone buys the government's argument that the West Bank settlements are vital to the nation's defense. In fact, some prominent Israelis, including former chief of staff Lt. Gen. Haim Bar-

Lev, warn that the settlements would actually be a drag on Israel's security.

If war comes, they argue, the army would have to devote considerable manpower to protection or evacuation of Israelis from their isolated settlements, instead of attending to its primary mission of defending Israel proper.

Many Israelis also realize that the undeniable repression by the occupation forces on the West Bank has given Israel a bad image in the world, and tends to foster hard-line Palestinian leaders. In this view, the West Bank is thus a political obstacle to the general peace that is Israel's ultimate hope for survival.

There is no firm consensus within Israel on the Palestinian question. As the CIA notes, "Israeli views on Palestinianism range from denial of the existence of Palestinian nationalism to arguments that Israel must seek accommodation with the Palestinian Arabs."

Those who deny Palestinian nationality have a certain logical pragmatism on their side. As the CIA explains: "To acknowledge a Palestinian nationality with its own aspirations could ultimately call into question the extent of the Jews' own right to the 'Land of Israel.'"

There is, the CIA adds, "a very small minority [that looks] upon the Palestinian Arabs as a potential bridge of understanding between Israel and the Arab world."